

MISSION STATEMENT

The mission of the Sonoma County Water Agency is to effectively manage the water resources in its care for the benefit of people and the environment through resource and environmental stewardship, technical innovation, and responsible fiscal management.

Budget at a Glance:

Total Expenditures	\$169,040,898
Total Staff	207
% Funded by County Discretionary Funds	0%

DEPARTMENTAL DESCRIPTION

The Sonoma County Water Agency is a countywide special district whose Board of Directors is the Sonoma County Board of Supervisors.

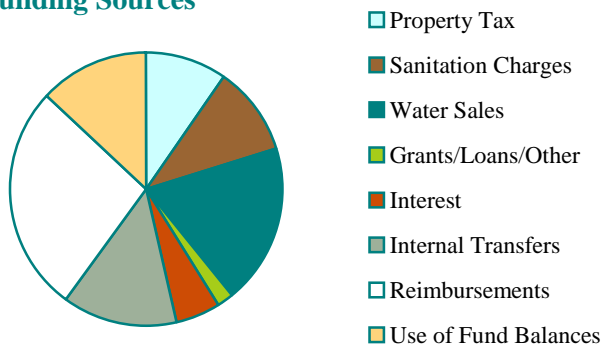
The four key functions of the Agency are water supply, water transmission, flood control, and wastewater collection and treatment. As a water supplier, the agency is responsible for securing and maintaining water rights and encouraging water conservation and reuse to meet present and future demand. The Agency's water transmission system provides for wholesale domestic water supply and delivery to eight prime contractors (Santa Rosa, Petaluma, Sonoma, Rohnert Park, Cotati, Valley of the Moon Water District, Town of Windsor, and North Marin Water District) and other customers. For the flood control function, the agency designs, constructs, and maintains flood control facilities. The Agency provides sanitation functions to county sanitation districts (CSD) and zones.

The Agency maintains operational funds to finance and support its functions. The Agency established targets for each of the operational funds and closely monitors fund balance to ensure the effective management of these funds. The Agency will use expenditure control and rate increases where appropriate to bring any projected fund balance shortfalls in line with targets. From year to year the fund balances will be built up and then used for capital improvement projects.

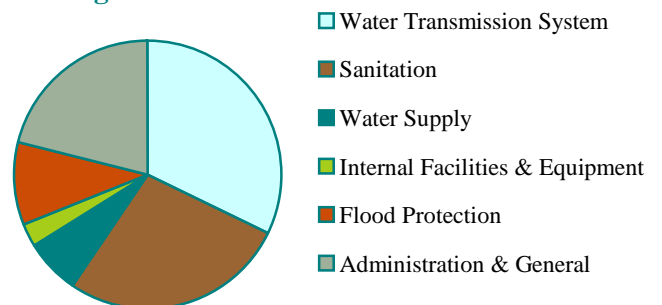
The Agency's Board approved a Strategic Priorities Plan and Water Policy Statement for the Agency in April 2007. The plan identifies the following nine priorities critical to advancing the Agency's mission:

- Assist customers to meet their water supply needs.
- Protect water quality and improve the reliability of the water transmission system.
- Address impacts on listed salmonid species.
- Lead development of regional sustainability programs and water resource partnerships.
- Conduct stream maintenance and provide funding for drainage, storm water quality, and stream habitat enhancement in flood control zones.
- Improve public understanding of the Agency and Agency programs.
- Address critical infrastructure needs for sanitation systems.
- Improve the Agency's business efficiency and effectiveness.
- Improve employee recruitment and retention.

Funding Sources



Funding Uses



SONOMA COUNTY WATER AGENCY

Randy D. Poole, General Manager

FY 06-07 Accomplishments

- Completed a Restructured Water Supply Agreement with the Agency's water contractors, Urban Water Management Plans, and the North Coast and Bay Area Integrated Regional Water Plans.
- Completed several major water supply and transmission projects including Collector 6 and Kawana Storage Tank #2; and several major sanitation projects including design of the replacement collection system at the Occidental County Sanitation District.
- Completed the Photovoltaic Projects at the Agency administrative and sanitation facilities.
- Secured funding of \$25,000,000 from Prop 50 for implementation of the North Coast Integrated Regional Water Plan and issued \$11,500,000 in water revenue bonds to fund environmental design and construction of several water transmission projects.
- Developed and began implementing a Sustainability Plan, the Dry Creek Valley Agreement, and the Coho Recovery Plan.

FY 07-08 Objectives

- Obtain Biological Opinions from National Marine Fisheries for existing operations.
- Complete the Supplemental Environmental Impact Report (EIR) for Water Supply and Transmission System Project.
- Begin discussions of permanent changes to the State Water Regional Control Board decision (1610) which sets minimum summertime flow levels in the Russian River.
- Complete current sediment removal projects in several zones to reduce the potential for flooding.
- Develop non-regulatory groundwater management plan with stakeholders for Sonoma Valley.
- Complete the replacement of the Occidental County Sanitation District's wastewater collection system to improve its operations toward a Standard Level of Service.
- Engage in discussions with PG&E regarding Potter Valley Dam flows.

FINANCIAL SUMMARY *

Budget Division/Fund	<i>Total Expenditures</i>			<i>Net Cost/Use of Fund Balance</i>		
	FY 06-07 Adopted	FY 07-08 Recommended	% Change	FY 06-07 Adopted	FY 07-08 Recommended	% Change
Admin & General - Spec Fund	40,669,407	35,712,208	(12.2)	(104,159)	(3,592,082)	(3,348.7)
Flood Control - Spec Fund	21,964,084	16,651,383	(24.2)	10,306,784	5,776,545	(44.0)
Water Supply - Spec Fund	12,537,372	11,792,073	(5.9)	2,137,471	806,371	(62.3)
Water Transmission - Spec Fund	67,167,518	54,524,630	(18.8)	19,899,505	8,611,698	(56.7)
Internal Service Fund	6,472,205	4,639,548	(28.3)	(1,088,768)	(518,481)	52.4
Sanitation - Spec Fund	46,704,125	45,721,056	(2.1)	13,545,619	10,853,649	(19.9)
TOTAL FINANCIAL	195,514,711	169,040,898	(13.5)	44,696,452	21,937,700	(50.9)

* Changes in expenditures and use of fund balance are largely due to timing and extent of capital projects and are explained in more detail below.

STAFFING SUMMARY

Staffing	FY 06-07 Adjusted	FY 07-08 Recommended	FTE Change	% Change
Permanent Positions **	209.00	207.00	(2.00)	(1.0)

** Reflects position additions approved in FY 06-07 and proposed changes for FY 07-08 which are described below.

SUMMARY OF KEY ISSUES**ADMINISTRATION**

The Agency has been engaged in a strategic planning process. In April 2007, the Agency Board of Directors approved a Strategic Priorities Plan and Water Policy Statement. The next step in the Agency's strategic planning process is to develop measurable goals and objectives for the nine priorities identified and approved in April 2007. The Agency will also be developing action plans for achieving the goals and objectives and will be presenting the information at the end of summer 2007.

For FY 07-08, current activities designed to achieve the strategic plan goals are as follows:

- Continued implementation of several activities aimed at empowering the workforce and improving the practices and procedures used to deliver services to our customers. These include information technology system upgrades, including enhancing the Geographic Information Systems capabilities, upgrading project management and financial management systems, and follow-up on the employee opinion survey feedback. These activities are paid for through the Agency's general fund. Revenues for the general fund come primarily from property taxes which have benefited from the strong real estate market for the last several years. Despite the recent slowdown, revenue increases will more than offset the increases in expenditures in FY 07-08, because of tight expenditure and budgetary controls in place for the current and coming fiscal years. The general fund balance is projected to increase by \$3.6 million with an ending fund balance of \$6.3 million.
- During FY 06-07, several new positions were approved by the Agency Board of Directors to assist in meeting the Agency's goals. As the year developed and with the need to manage the budgets of the general fund and the various enterprise funds, not all these positions were filled. The recommended budget deletes two of the vacant positions and adjusts the job classes of two of the other vacancies (replacing a Mechanic with a Maintenance Worker III and a Senior Office Assistant with a Technical Writing Specialist) to better align with priorities for the future. The budget also anticipates filling the Assistant General Manager position in early FY 07-08.

FLOOD CONTROL

The Flood Control Division includes six flood control zones and the Warm Springs Dam Special Revenue Fund. Benefit assessments, approved by the voters in 1996, have provided additional funds for capital projects in the Laguna-Mark West area (Zone 1A) and Petaluma area (Zone 2A) and will expire in July 2007. The Agency is preparing a Prop 218 balloting process for enhanced funding for flood protection and water quality projects in these zones and in the Sonoma Creek watershed area (Zone 3A and part of Zone 9A). The balloting process is expected to take place in early 2008. Since these renewals will not be completed for FY 07-08 no new benefit assessment revenues are budgeted for Zone 1A and Zone 2A. If the enhanced funding is not approved, projects in process will not be affected but there will be significantly less funding available to construct similar projects needed to protect homes and businesses from flooding in the future.

The Agency's goal for flood control is to provide flood protection in a manner that balances public safety and environmental protection.

- In FY 07-08, the budget anticipates continued progress on development of a maintenance manual, revising flood control design criteria, and preparation of an environmental document in order to obtain long-term programmatic permits for flood protection maintenance. Work will also continue on updating hydrology and hydraulic analyses reports for the Agency's flood protection facilities to assess current levels of flood protection and evaluate the need for future projects and policy changes as well as the development of a plan for a stream flow monitoring system.
- The Agency also plans to begin work on several new sediment removal projects from streams affecting the cities of Santa Rosa, Rohnert Park, and Petaluma and will complete the Matanzas Reservoir sediment removal project. In addition, work will begin on a watershed partners program with the Sotoyome Resource Conservation District and the Laguna de Santa Rosa Foundation.
- The recommended budget contains \$7.6 million for maintenance work and capital projects within the zones to move toward achieving the stated goals. This is a decrease of \$5.7 million from the previous year primarily due to the completion of several projects in Zone 1A (Laguna Mark West) and Zone 2A (Petaluma) and fewer construction projects planned for FY 07-08. The construction projects are primarily funded through the Benefit Assessments, which will not be available in FY 07-08. Thus, no major construction projects are included in the FY 07-08 plans.
- Warm Springs Dam Fund expenditures are increasing to \$8.8 million for the U.S. Government for operation and maintenance of the Warm Springs Dam, stream gauge maintenance by the U.S. Geological Survey, and debt services payments.

WATER SUPPLY AND WATER TRANSMISSION

The Agency's goals for Water Supply and Water Transmission are: 1) meet or surpass public health standards and environmental regulations; 2) integrate and protect available sources of water and responsibly manage infrastructure to meet the current and future needs of the agency's customers, and 3) promote water conservation and recycled water use.

Activities planned during FY 07-08 are continued work on each of the following multi-year efforts to meet the above goals:

- Obtain Biological Opinions for existing operations.
 - Pursue modifications to State Water Resources Control Board (SWRCB) Decision 1610 regulating summertime flow levels in the Russian River.
 - Perfect and protect all agency water rights.
 - Implement measures identified in the water system security vulnerability assessment.
 - Design and construct infrastructure necessary to meet current and future needs of the agency's customers.
 - Prepare Environmental Impact Report for the Water Supply and Reliability Project.
 - Conduct natural hazard reliability assessment of diversion and transmission facilities.
 - Conduct transmission system operational assessment for existing and future demands.
 - Fully implement the California Urban Water Conservation Council's best management practices within the Agency's service area.
- Water Supply budget funds are also used to finance the debt service obligations of Warm Springs Dam, to finance water supply and erosion control activities along the Russian River; to secure and defend the Agency's appropriative water rights; and to convert recycled water to beneficial use. Total expenditures of \$11.8 million, a decrease of \$0.6 million, are primarily the result of increased debt service payments and recycled water studies and projects. The budget also reflects the approved FY 07-08 water rate increases of 2.4 to 2.5%.
 - Water Transmission System expenditures for FY 07-08 total \$54.5 million. Included in this figure are four new funds created by the Restructured Agreement with expected expenditures of \$3.8 million for water conservation efforts, \$2.4 million for recycled water programs, and \$0.5 million for water management planning and watershed planning activities. The reduction in total expenditures shown in the Financial Summary is due to the completion of several large capital projects in FY 06-07. Major capital projects for FY 07-08 include completion of the Kawana Springs Tank #2, continued design of the Kawana to Ralphine Pipeline, work on the Petaluma Aqueduct, and studies for design of the transmission system expansion.
 - Through these programs and ongoing maintenance and operations of the Water Supply and Transmission systems, the Agency delivered an average of 65,000 acre-feet of water per year over the period January 2004 through December 2006. The Agency also generates a portion of its electrical power needs from operation of the Warm Springs Dam hydroelectric plant.

GENERAL SANITATION OVERVIEW

The Agency's Wastewater and Recycled Water Services objectives for supporting the strategic plan are: 1) protect the health and safety of the public and the environment; 2) manage sanitation systems in a cost-effective manner; 3) encourage beneficial use of recycled water; and 4) adequately fund and implement infrastructure replacement and upgrade projects. The primary activities to achieve these objectives are to improve maintenance and customer education to minimize dry-weather overflows in collection systems.

- Beginning in FY 95-96, a capital replacement program was implemented within the sanitation districts and zones. Investments in capital replacement extend the life of existing facilities at current sanitation standards and reduce operations and maintenance costs. Program costs are financed through operating transfers from each district or zone's operations fund to its construction fund. The Agency's objective is to fund the program to the level of depreciation expense for each district or zone. If the operations fund does not have sufficient cash available, a transfer of funds to construction will not be made, and the capital replacement projects will be delayed until the next fiscal year. Generally, expenses are increasing for operations and maintenance due to cost of living adjustments for salaries and benefits, and price increases for services and supplies (particularly for utilities, chemicals, and state permits and fees). Projected expenditures for capital improvements have decreased due to completion of some projects and lack of accumulated fund balance to finance new projects for some entities. FY 07-08 sewer service rates increases of between 3.0% and 8.0% for the various sanitation districts and zones were approved in April 2007. The rate increases for these districts and zones are necessary to fund

operational needs, some capital program expenditures, and to build fund balances to levels that will allow for future capital improvements.

The discussion of each sanitation district or zone operated by the Agency includes a statement regarding the level of service provided under the proposed budget. The levels of service are defined as follows.

- **Minimum Level of Service:** Includes services necessary for the protection of public health, employee safety, and public safety.
- **Standard Level of Service:** Includes services necessary to operate and maintain the sanitation systems in order to limit or reduce the risk of (1) service interruption and (2) violations of the respective National Pollutant Discharge Elimination System (NPDES) permit or Waste Discharge Requirements issued by the Regional Boards.
- **Asset Preservation Level of Service:** Includes services and programs necessary to (1) operate, maintain and replace facilities and equipment within the sanitation systems in order to preserve the system's assets, (2) provide a beneficial impact on the quality of life in the community, and (3) provide economic savings to the ratepayers through optimizing life cycle costs.

Occidental CSD – Projected to operate at Minimum Level of Service during FY 07-08

- The Occidental County Sanitation District continues to face very serious financial and operational difficulties. Operating revenues and the district's fund balance are inadequate to fully support required maintenance. The Agency's General Fund has contributed nearly \$1.0 million since FY 97-98 with additional contributions anticipated for FY 06-07 and FY 07-08.
- During FY 06-07, the district applied for a State Small Community Grant of nearly \$2 million to fund needed work on the collection system. If this grant does not materialize, the plan for replacing and rehabilitating the sewer collection system will be revised and the project will be delayed subject to other grant funding. The district is not able to support additional debt, even low cost debt, at this time. The agency is working closely with community groups to find the lowest cost alternatives to their long-term sanitation needs.

Russian River CSD– Projected to operate at Standard Level of Service during FY 07-08

- The Russian River CSD irrigates approximately 20 acres of forest area adjacent to the treatment plant (referred to as the Burch property) and approximately 40 acres of the Northwood Golf Course. The Northwood Golf Course has not been able to achieve the disposal rate that was expected when the treatment plant was constructed. As a result, increased irrigation has been required at the Burch property. The Russian River CSD is planning to evaluate expansion of the irrigation system to reduce the amount of irrigation performed on the Burch property. During FY 06-07, it was determined that additional irrigation is necessary and the initial work to complete Environmental Impact Report (EIR) and California Environmental Quality Act (CEQA) studies for expansion of irrigation using recycled water was begun. FY 07-08 budgeted expenditures are increasing due to the anticipation of beginning the irrigation expansion and disinfection process capacity (ultraviolet process) capital projects. Operations and maintenance costs are budgeted to increase only 2%.

Sonoma Valley CSD– Projected to operate at Asset Preservation Level of Service during FY 07-08

- The district is continuing the program to replace its aging collection system in order to improve capacity and to ensure the reliability and safety of the infrastructure. Funding for most of the replacement costs will be from future rate increases. However, the district is also seeking assistance through state and federal infrastructure replacement programs. During FY 07-08, this activity will be continued with a project to replace a portion of the main line between Leveroni Road and East Watmaugh Road. This will be a \$3.5 million design and construction project.
- Other projects planned for FY 07-08 include: completing environmental compliance and design for an upgrade to the treatment plant's sludge equipment; developing an underground pipeline distribution system throughout portions of the southern Sonoma Valley to provide recycled water for agricultural and urban irrigation uses; installing a tertiary filter system at the treatment plant to produce Title 22 compliant disinfected tertiary recycled water; and replacement of an underground fuel tank with above ground tank. Overall expenditures are proposed to decrease due to completion of several large projects including the Sonoma Valley Advanced Water Treatment Project in FY 06-07.

South Park CSD– Projected to operate at Standard Level of Service during FY 07-08

- The South Park CSD wastewater is treated and disposed of by the City of Santa Rosa at the Laguna Sub-regional Treatment Plant. In accordance with an agreement with the South Park CSD, the City of Santa Rosa is currently responsible for the operation and routine maintenance of the district's collection system. In addition, the agreement provides for transfer of system ownership no later than June 30, 2011. The agreement also requires that the South Park CSD replace, slip-line, or repair 41,610 feet of the collection system and

upgrade the Todd Road lift station before the transfer takes place. There is approximately 20,000 feet of this work that has been completed or that is under contract. Continued replacement of the collection system and other improvements are dependent upon obtaining State grants and the rate payers' willingness to accept increases in future years. The district is currently applying for a \$2.0 million grant to fund the projects in FY 07-08.

- The district is also continuing to explore the possibility of the City of Santa Rosa taking billing responsibility for the district. This would modify the basis for charges to the city's flow based process. If this can be accomplished, it will tie the individual rate payers' payments much more closely to the actual wastewater they generate based on wintertime metered water use.
- On December 12, 1998 the North Coast Regional Water Quality Control Board (NCRWQCB) released a draft Cleanup and Abatement Order for halogenated volatile organic compounds (HVOCs) found in soil and groundwater in the vicinity of Sebastopol Road and West Avenue in the South Park CSD service area. In December 2005, the NCRWQCB issued regulatory orders requiring work plans for investigations and remediation on four privately owned properties within the district. Once the property owners complete their investigations and remediation, the district will discuss with the NCRWQCB any role or responsibility the district may have for cleanup.
- Overall expenditures in FY 07-08 decrease resulting from completion of capital replacement projects. The Biwana Lane Project is currently in the design phase. Sewer replacement at Moorland Avenue between Bellevue Avenue and West Robles Avenue is in the construction phase and is anticipated to be complete in FY 07-08.

Sea Ranch Sanitation Zone– Projected to operate at Standard Level of Service during FY 07-08

- The Sea Ranch Sanitation Zone consists of two wastewater collection and treatment systems located in Central and North Sea Ranch. The Sea Ranch Association operates and maintains these systems for the Agency. The Agency is still pursuing options to transfer all assets, liabilities, and management responsibilities to the Association.
- The FY 07-08 budget includes maintenance projects and \$50,000 for the consolidation of the treatment plant and \$40,000 for replacement of electrical and mechanical equipment.

Penngrove Sanitation Zone– Projected to operate at Standard Level of Service during FY 07-08

- Agency operations in the Penngrove Sanitation Zone are limited to administrative services and operation/maintenance of the collection system and pumping station. The wastewater collected by the zone is treated at the City of Petaluma's treatment plant. Petaluma has notified all its customers of major rate increases over the next several years to fund the design, construction, and operation of a new wastewater treatment plant that meets advanced (tertiary) wastewater standards.
- The planned project in the Penngrove Sanitation Zone is to fund construction and contract administration costs for work on the Sewer Rehabilitation Project infiltration and inflow. However, the proposed budget for FY 07-08 reflects a decrease in overall expenditures of \$400,000 due to the reduction of other construction projects in the zone.

Geyserville Sanitation Zone– Projected to operate at Asset Preservation Level of Service during FY 07-08

- Current and future treatment plant inflows are expected to remain less than the treatment and disposal capacity of the Geyserville Sanitation Zone facilities. Therefore, there are no expansions to the treatment and disposal facilities planned at this time and the zone has partial funding for programs necessary to provide an Asset Preservation Level of Service.

Airport/Larkfield/Wikiup Sanitation Zone– Projected to operate at Standard Level of Service during FY 07-08

- The Airport/Larkfield/Wikiup Sanitation Zone expenditures are decreasing as a result of completing a 500 kW solar power system to reduce energy costs in FY 06-07 and there are no new capital projects planned for FY 07-08.

DEPARTMENTAL APPEAL ITEMS

The General Manager of Water Agency concurs with the recommended budget.

FY 2007-08 BUDGET

BUDGET DIVISION SUMMARY

Section Title:

ADMINISTRATION AND GENERAL

A. Program Description

This section provides staffing and operations support for all Water Agency functions. It includes the costs for the operation and maintenance of Spring Lake Park by the County Regional Parks Department and the Waste/Recycled Water Loan Fund, which was established in FY 98-99, to provide interim financing for wastewater and recycled water projects.

B. Financial Summary

Section	GROSS EXPENDITURES			NET COST / USE OF FUND BALANCE		
	FY 06-07 Adopted	FY 07-08 Requested	Percent Change	FY 06-07 Adopted	FY 07-08 Requested	Percent Change
General Fund	\$38,851,012	\$33,858,529	(12.85%)	(\$302,854)	(\$3,930,586)	1197.85%
Spring Lake Park	1,813,395	1,853,679	2.22%	194,095	338,979	74.65%
Waste/Recycled Loan	5,000	0	(100.00%)	4,600	(475)	(110.33%)
TOTAL:	\$40,669,407	\$35,712,208	(12.19%)	(\$104,159)	(\$3,592,082)	3348.65%

C. Staffing Summary

Staffing	FY 06-07 Adopted	FY 07-08 Requested	Number Change	Percent Change
Permanent	206.00	207.00	1.00	0.49%
Extra Help	15.75	14.97	(0.78)	(4.95%)
Overtime	4.34	4.34	0.00	0.00%

D. Workload Summary

Refer to the individual sections for information regarding work performed.

E. Summary of Issues and Significant Changes

Refer to the Departmental Budget Summary for a summary of issues and changes.